

Testimony of Eric W. Gjede
Assistant Counsel, CBIA
Before the Committee on Labor and Public Employees
Hartford, CT
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Testifying in opposition to SB 57 AAC The Direct Deposit of Wages

Good afternoon Senator Osten, Representative Tercyak, and members of the Labor and Public Employees Committee. My name is Eric Gjede and I am assistant counsel at the Connecticut Business and Industry Association (CBIA) which represents more than 10,000 large and small companies throughout the state of Connecticut.

CBIA is opposed to SB-57 because of the cost and the technical burdens it places on businesses.

Section 1 of this bill requires employers to electronically “tag” wages directly deposited into employee bank accounts so they are readily identifiable as “wages”. Section 2 of the bill adds “wages” to the list of directly deposited funds partially exempt from execution by creditors. The bill, taken as a whole, is designed to benefit employees dealing with personal credit issues by shifting burdens of proof, and the costs associated, to his or her employer. This burden shifting, which requires technology most employers do not have, is unnecessary. There already exists a court process that allows employees to use pay stubs to demonstrate to banks and creditors the origin of the funds in their accounts should “wages” be added to the list of protected funds.

Some have argued that the additional burden imposed on employers in this bill is minimal. However, that is not the case. Here’s why:

1. This imposes a technical burden on employers and payroll providers. An individual’s paycheck can be composed of a variety of different components, only one of which is the “wage” portion. That means each component of a directly deposited paycheck would need its own electronic code. This would require employers to purchase costly software upgrades to comply with the law, or to pay additional fees to payroll providers for the same.
2. Many of our state’s largest employers have pay systems that are used across state lines. Due to the lack of software programming currently available, many employers may simply stop offering electronic wage payments to Connecticut employees.
3. In addition to the expense required to purchase software upgrades, employers would also have to incur the expense of providing training for employees to properly use these new programs.
4. If an employer wrongly encodes portions of deposits as “wages”, then the employer could potentially be subject to litigation originated by the employee and employee’s creditors.

Given the burdens of compliance for the business community, and the alternatives available to employees whose accounts have been executed upon, we ask you to oppose this bill.